



Mid-West Electric Consumers Association

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November 13, 2008

Mr. Robert J. Harris
Regional Manager, UGPR
Western Area Power Administration
2900 4th Avenue North
Billings, Montana 59101-1266

Dear Mr. Harris,

The Mid-West Electric Consumers Association appreciates the opportunity to comment on the Western Area Power Administration's ("Western") proposed power rates for the Eastern and Western Divisions of the Pick-Sloan Missouri Basin Program, as published in the Federal Register, August 15, 2008 (Eastern Division & Loveland Area Projects/Western Division).

The Mid-West Electric Consumers Association was founded in 1958 as the regional coalition of over 300 consumer-owned utilities (rural electric cooperatives, public power districts, and municipal electric utilities) that purchase hydropower generated at federal multi-purpose projects in the Missouri River basin under the Pick-Sloan Missouri Basin Program ("Pick-Sloan").

It is axiomatic that no one likes rate increases. However, Mid-West recognizes the impacts the extended drought has had on the current financial status of the Pick-Sloan Missouri Basin Program, and supports Western's proposed rates for Pick-Sloan.

The rates charged for Pick-Sloan federal hydropower repay – with interest – the investment in hydropower facilities, a share of joint costs, a portion of costs of other project purposes, and operations, maintenance and replacement costs of the Pick-Sloan hydropower system. As a result of the extended drought in the basin, Western has made substantial expenditures for Purchase Power & Wheeling (PP&W) to meet its contractual responsibilities. Those PP&W costs are repaid through power rates as well. The costs relating to the drought are responsible for the lion's share of the proposed rate increase.

Western's Pick-Sloan customers take the repayment of federal investment (through federal power rates) very seriously. It was that concern that prompted Mid-West and its members to work with Western to develop a "drought adder" to recover more quickly Western's drought-related expenditures for Purchase Power & Wheeling. In the future, the drought adder will help to avoid a repetition of the financial impacts we are seeing today.

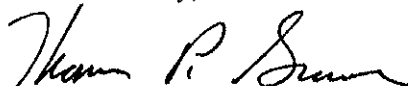
The financial challenges of this drought and its rate impacts highlight one of the difficulties federal power customers confront in fulfilling their financial responsibilities to the federal government. The good water years in the 1990's generated significant revenues surplus to Pick-Sloan's financial requirements. Western, acting in accordance with repayment policies,

applied those revenues to paying down Pick-Sloan capital investments. As a consequence, power customers have repaid a significant amount of capital investment ahead of schedule.

This early repayment benefitted both Pick-Sloan customers and the federal government, but left both parties without financial resources to deal with drought. Thus, the current repayment practices and policies exacerbate the impacts of the natural swings in hydrology. When the drought debt is repaid, Pick-Sloan customers will still have substantially paid ahead on retiring their share of the capital investment in the Pick-Sloan Missouri Basin Program. Mid-West would like to work with Western to address this problem.

Thank you for considering these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas P. Graves". The signature is fluid and cursive, with the first name "Thomas" being the most prominent.

Thomas P. Graves
Executive Director

From: FirmRate UGP
To: Shimek, Judy
Date: 11/13/2008 3:50 PM
Subject: Comments 2009 P-S Rates Proposal-UGPR.doc
Attachments: Comments 2009 P-S Rates Proposal-UGPR.doc

Please file for our rate adjustment public process.